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Arizona Corporation Commission

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BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION
OF JOHNSON UTILITIES COMPANY FOR
AN EXTENSION OF ITS CERTIFICATE
OF CONVENIENCE AND NECESSITY
FOR WATER SERVICE.

DOCKET NO. WS-02987A-05-0088

**OBJECTIONS TO STAFF
REPORT**

1. On April 12, 2005, Administrative Law Judge Nodes issued a Procedural Order in the subject Docket requiring, among other things, that any Objections to the Staff Report dated June 6, 2005 by Johnson Utilities Company ("Johnson" or the Company") be filed on or before June 20, 2005. The Company herewith files its Objections to that Report.

2. The Company does not object to the standard conditions included in Certificate of Convenience and Necessity Decisions issued by the Commission that are relevant to the Application. However, the extraordinary and irrelevant conditions recommended by Staff in this proceeding are objectionable.

3. The Company provides its objections to the Staff Report's, findings, conclusions and recommendations in the sequence set forth in the Executive Summary.

- a) The Company does have adequate water production and storage facilities to serve the existing and proposed Certificate of Convenience and Necessity ("CC&N") area. (Executive Summary, Page 1)

- 1 i) The existing wells are adequate in both number and size to serve
2 the area, and new and additional wells will be timely operating
3 and permitted to serve the expansion area. (Pages 2-6)
- 4 ii) Staff bases its facilities requirements conclusion on an incorrect
5 analysis of the data (Page 6)
- 6 iii) The Staff's "test" of adequacy is without support. (Page 6)
- 7 b) Recommendation 1. This Recommendation is inappropriate as an Order
8 Preliminary is not needed for an existing and substantial company like
9 Johnson. That procedure unduly burdens the Company and the
10 Developers of the property.
- 11 c) Recommendations 2 and 10. Prohibiting construction until after the
12 issuance of a "Final Order" unnecessarily restricts the development of the
13 property and creates the "chicken and egg" dilemma that A.R.S. § 40-
14 282(D) was specifically designed to avoid.
- 15 d) Recommendation 3. The proposed "demonstration" to the Director of the
16 Utilities Division is not a "franchise or permit" as contemplated by A.R.S.
17 § 40-282(D). The Company will certainly file the Arizona Department of
18 Environmental Quality approvals as required.
- 19 e) Recommendation 4. The Designation of Assured Water Supply cannot be
20 obtained without a **full** CC&N. The Company annually updates its
21 "Service Area Map" with the Arizona Department of Water Resources
22 ("ADWR") as required by statute, which Service Area must be **within** the
23 Company's authorized CC&N area. Both Service Areas and Designations

1 are available only for certificated areas and companies. The Designation
2 is then automatically amended to include the expanded CC&N area.
3 Again, the Order Preliminary dilemma applies. The Company does not
4 object to filing the confirming documentation from ADWR with the
5 Commission.

6 f) Recommendations 7. The Commission's Rules and Regulations require
7 the filing of Water Line Extension Agreements for appropriate Staff
8 review and approval. Those Rules do not require that Wastewater
9 Agreements be filed. The Recommendation is therefore objectionable to
10 that extent.

11 g) Recommendation 11. The alleged "discrepancies" identified as Items 1
12 through 7 do not relate to this Application or a rate proceeding.
13 Discrepancy 8 is not a justification for the Recommendation, lest every
14 company that exceeds its first year-end customer base warrants such a
15 required review. The Company has complied with Decision No. 60223,
16 dated May 27, 1997 and timely filed the required three-year "rate review",
17 which filing did not support a full rate proceeding. There are no relevant
18 factual allegations, even if true (which the Company does not concede),
19 that support the Recommendation. The alternative Recommendation of a
20 Hook-up Fee audit is certainly a procedure available to the Commission,
21 but is not warranted at this time. The required annual Hook-Up Fee
22 Report was filed with the Commission in January 2005.
23

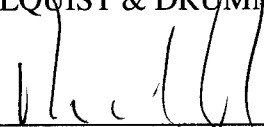
1 h) Recommendation 12. The subject litigation has no relevance to the
2 Company in this proceeding.

3 i) Recommendation 13. The Affiliated Interests Rules of the Commission
4 apply only to Class A Utilities, which Johnson is not. The Company will
5 agree to provide the information stipulated to in the March 11, 2005
6 pleading filed by the Company in Docket No. WS-02987A-04-0889.

7 The Company respectfully requests that the Staff modify its Staff Report dated June 6,
8 2005 to be consistent with the Company's Objections thereto.

9 RESPECTFULLY submitted this 20th day of June 2005.

10 SALLQUIST & DRUMMOND, P.C.

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15 Original and fifteen copies of the
16 foregoing filed this 20th day
of June 2005:

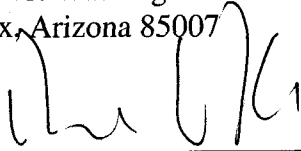
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20 A copy of the foregoing
mailed/hand delivered this
21 20th day of June 2005, to:

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